

Malaysia

Exchange rate: US\$1.00 = 4.03 ringgits.

Old Age, Disability, and Survivors

Regulatory Framework

First law: 1951 (provident fund).

Current laws: 1969 (social security), 1980 (pension adjustment), 1991 (provident fund), and 2012 (minimum retirement age).

Type of program: Provident fund, social insurance, and social assistance system.

Note: The Employees Provident Fund (EPF) provides two types of individual accounts for each member: Account 1 that funds retirement and Account 2 that may be accessed prior to retirement for education, designated critical illnesses, or a home purchase. Fund members with sufficient savings may choose to invest a portion of their Account 1 balance with an external fund manager.

Coverage

Provident fund: Private-sector employees and certain public-sector employees not covered by a separate public-sector system.

Voluntary coverage for household workers, self-employed persons, and foreign workers.

Special systems for certain public-sector employees and military personnel.

Social insurance: Private-sector employees and certain public-sector employees not covered by a separate public-sector system.

Exclusions: Household workers, spouses of business owners, self-employed persons, and foreign workers.

Special systems for certain public-sector employees and military personnel.

Social assistance: Needy elderly persons.

Source of Funds

Insured person

Provident fund: 8% of monthly earnings for private-sector employees younger than age 60; 4% of monthly earnings for fund members aged 60 to 75. (70% and 30% of monthly contributions are allocated to Accounts 1 and 2, respectively.)

Additional voluntary contributions to Account 1 are possible.

The insured person's contributions to Account 2 also finance sickness and maternity benefits.

The minimum monthly earnings used to calculate contributions are 10 ringgits.

There are no maximum earnings used to calculate contributions.

Up to 6,000 ringgits a year of the insured person's contributions to the EPF are tax deductible.

Social insurance: 0.5% of monthly earnings, according to 45 wage classes.

There are no minimum monthly earnings used to calculate contributions.

The maximum monthly earnings used to calculate contributions are 4,000 ringgits.

Social assistance: None.

Self-employed person

Provident fund: 50 to 5,000 ringgits a month.

The insured person's contributions to Account 2 also finance sickness and maternity benefits.

Up to 6,000 ringgits a year of the insured person's contributions to the EPF are tax deductible.

Social insurance: Not applicable.

Social assistance: None.

Employer

Provident fund: 13% of monthly earnings for fund members younger than age 60 earning up to 5,000 ringgits a month; 12% for fund members younger than age 60 earning 5,001 ringgits a month or more; 6.5% for fund members aged 60 to 75 earning up to 5,000 ringgits a month; 6% for fund members aged 60 to 75 earning 5,001 ringgits a month or more. (70% and 30% of monthly contributions are allocated to Accounts 1 and 2, respectively.)

Additional voluntary contributions are possible.

The employer's contributions to Account 2 also finance sickness and maternity benefits.

Social insurance: 0.5% of monthly payroll, according to 45 wage classes.

There are no minimum monthly earnings used to calculate contributions.

The maximum monthly earnings used to calculate contributions are 4,000 ringgits.

Social assistance: None.

Government

Provident fund: Matches 10% of contributions up to 120 ringgits a year for self-employed persons and household workers (Account 1 only).

Social insurance: None; contributes as an employer.

Social assistance: The total cost.

Qualifying Conditions

Old-age benefit (provident fund): Age 55 to withdraw all funds (Account 1 and 2).

Fund members are not required to retire at age 55 and may withdraw all or part of their funds (Accounts 1 and 2) and continue working up to age 75. Fund members who are still working and do not withdraw their funds at age 55 must continue to make contributions to the EPF. Those fund members who withdraw all of their funds at age 55 can choose to rejoin and contribute to the EPF if still employed or working in a new job.

Other withdrawals can be made under specified conditions:

Leaving the country withdrawal (Account 1 and 2): May withdraw funds at any age if the member permanently emigrates from Malaysia or is a foreign worker who returns home after the job contract expires.

Investment withdrawal (Account 1): May withdraw funds before age 55 to make investments with approved institutions. Fund members must have at least 5,000 ringgits more than the required basic savings level based on their age.

The basic savings level ranges from 1,000 ringgits (age 18) to 196,800 ringgits (age 55).

Housing withdrawal (Account 2): May withdraw funds to purchase or build a house or to reduce a housing loan or monthly mortgage payments, subject to certain conditions.

Health withdrawal (Account 2): May withdraw funds to pay for the treatment of a critical illness for the fund member or his or her children, if the fund member's employer does not provide full coverage for such treatment. The EPF Board provides a list of 55 designated critical illnesses.

Education withdrawal (Account 2): May withdraw funds to pay for the education of the member or the member's children at any approved institution of higher learning.

Age 50 withdrawal (Account 2): A one-time withdrawal from Account 2 at age 50.

Hajj withdrawal (Account 2): Paid up to age 55 to cover expenses related to a member's first Hajj pilgrimage if there are insufficient savings in the fund member's Lembaga Tabung Haji (LTH) account. (The purpose of the account is to save for a pilgrimage. LTH invests according to Islamic principles.) The insured needs a letter from LTH indicating "Selected" status and evidence of insufficient savings.

All provident fund benefits are payable abroad.

Noncontributory old-age pension (social assistance, mean tested): Age 60 and assessed as needy, with no financial support from other family members.

Incapacitation benefit (provident fund): Must be assessed by a medical doctor as mentally or physically unable to work. Fund members may be referred to an EPF panel to confirm the disability assessed by the medical doctor.

Additional benefit: Paid up to age 55.

All provident fund benefits are payable abroad.

Disability pension (social insurance): Must be younger than age 60 with at least a 66.7% assessed loss of earning capacity and at least 24 months of contributions in the last 40 months; or have contributions in at least 66.7% of the months since first becoming insured, with a total of at least 24 months of contributions.

Reduced disability pension: The insured paid contributions for at least 33.3% of the months since first becoming insured, with a total of at least 24 months of contributions.

A medical board appointed by the Social Security Organization in consultation with the Ministry of Health assesses the degree of disability.

Constant-attendance allowance: Paid if the insured requires the constant attendance of others to perform daily functions.

Disability grant (social insurance): Paid if the insured is ineligible for a disability pension but has at least 12 months of contributions.

Survivor benefit (provident fund): Paid to the named beneficiary (non-Muslims) or administrator (Muslims). If there are no named beneficiaries, the benefit is paid (in order of priority) to the spouse, children, parents, and siblings.

All provident fund benefits are payable abroad.

Survivor pension (social insurance): The deceased had at least 24 months of contributions in the last 40 months before death; or had contributions in at least 66.7% of the months since first becoming insured, with a total of at least 24 months of contributions.

Reduced survivor pension: The deceased paid contributions for at least 33% of the months since first becoming insured, with a total of at least 24 months of contributions.

Eligible survivors include a widow(er), unmarried children younger than age 21 (or until the completion of an undergraduate degree, no limit if disabled), parents, grandparents, and unmarried dependent brothers and sisters younger than age 21.

The spouse's pension continues upon remarriage.

Funeral grant (social insurance): Paid to the insured's dependents, next of kin, or the individual who paid for the funeral.

Old-Age Benefits

Old-age benefit (provident fund): Fund members can withdraw total or partial savings through: a lump-sum withdrawal (employee and employer contributions plus compound interest minus drawdown payments); a monthly withdrawal of at least 250 ringgits for at least one year, up to age 75; a withdrawal at any time of at least 2,000 ringgits a month; a combination of the last two options or a withdrawal of only the annual dividend by keeping the principal in Account 1.

The guaranteed minimum interest rate is 2.5% a year. If funds remain in the accounts after age 55, fund members continue to earn compound interest until age 100.

Leaving the country withdrawal (Accounts 1 and 2): A lump sum of total employee and employer contributions plus compound interest minus drawdown payments is paid.

Investment withdrawal (Account 1): Up to 20% of the amount above the required basic savings level may be invested with an approved institution. The minimum amount that can be invested is 1,000 ringgits.

The basic savings level ranges from 1,000 ringgits (age 18) to 196,800 ringgits (age 55).

Housing withdrawal (Account 2): Up to the balance of funds is paid.

Health withdrawal (Account 2): Up to the total cost of medical care or the balance of funds, whichever is less, is paid.

Education withdrawal (Account 2): Up to the total education fees or the balance of funds, whichever is less, is paid to the fund member or institution of higher learning.

Age 50 withdrawal (Account 2): Up to the balance of funds is paid.

Hajj withdrawal (Account 2): The difference between the cost of Hajj and the amount in the Hajj savings account (LTH) is paid, up to 3,000 ringgits.

Noncontributory old-age pension (social assistance, means tested): 300 ringgits a month is paid.

Permanent Disability Benefits

Incapacitation benefit (provident fund): A lump sum of total employee and employer contributions (Accounts 1 and 2) plus compound interest minus drawdown payments is paid.

The guaranteed minimum interest rate is 2.5% a year.

Additional benefit: A lump sum of 5,000 ringgits is paid.

Disability pension (social insurance): 50% to 65% of the insured's average monthly earnings in the 24 months before the disability began is paid, depending on the number of contributions.

The maximum pension is 65% of the insured's average monthly earnings in the 24 months before the disability began, up to 1,917.55 ringgits.

The maximum monthly earnings used to calculate benefits are 2,950 ringgits.

Reduced disability pension: 50% of the insured's average monthly earnings in the 24 months before the disability began is paid.

The minimum monthly pension is 475 ringgits.

Constant-attendance allowance: 40% of the insured's pension (up to 500 ringgits a month) is paid.

Disability grant (social insurance): A lump sum of total employer and employee contributions plus accrued interest is paid.

Benefit adjustment: Social insurance benefits are adjusted according to changes in the cost of living and the social insurance system's finances.

Survivor Benefits

Survivor benefit (provident fund): A lump sum of total employee and employer contributions (Accounts 1 and 2) plus compound interest minus drawdown payments is paid.

The guaranteed minimum interest rate is 2.5% a year.

Additional benefit: A lump sum of 2,500 ringgits is paid.

Survivor pension (social insurance): If the deceased received a disability pension (social insurance), 100% of the disability pension is paid; if the deceased was employed at the time of death, 50% to 65% of the insured's average monthly earnings in the 24 months before death is paid, depending on the number of contributions.

The survivor pension is split as follows: 60% of the benefit is paid to an eligible widow(er) and 40% to eligible children.

If there are no other eligible survivors, 40% of the benefit is paid to parents or grandparents and 30% to eligible single siblings up to age 21.

Reduced survivor pension: 50% of the deceased's average monthly earnings in the 24 months before death is paid.

The minimum monthly survivor pension is 475 ringgits.

Funeral grant (social insurance): A lump sum of up to 1,500 ringgits is paid.

Benefit adjustment: Social insurance benefits are adjusted according to changes in the cost of living and the social insurance system's finances.

Administrative Organization

Provident fund: Ministry of Finance (<http://www.treasury.gov.my/>) provides general supervision.

Employees Provident Fund (<http://www.kwsp.gov.my/>), managed by a tripartite governing board, administers contributions and benefits and is responsible for investing members' funds.

Social insurance: Ministry of Human Resources (<http://www.mohr.gov.my/>) provides general supervision.

Social Security Organization (SOCSO) (<http://www.perkeso.gov.my/>), managed by a tripartite governing board, administers contributions and benefits.

Social assistance: Ministry of Women, Family, and Community Development (KPWKM) (<http://www.kpwkm.gov.my/>) provides general supervision for social assistance benefits.

Department of Social Welfare (JKMM) administers benefits through local branches.

Sickness and Maternity

Regulatory Framework

First laws: 1955 (public health) and 1951 (provident fund).

Current laws: 1955 (sickness and maternity) and 1991 (provident fund)

Type of program: Provident fund (medical benefits only) and employer-liability (sickness and maternity) system.

Coverage

Cash sickness and maternity benefits (employer liability): Employed persons.

Exclusions: Self-employed persons.

Medical benefits (provident fund): Private-sector employees and certain public-sector employees not covered by a separate public-sector system.

Voluntary coverage for household workers, self-employed persons, and foreign workers.

Special systems for certain public-sector employees and military personnel.

Source of Funds

Insured person

Cash sickness and maternity benefits: None.

Medical benefits (provident fund): See source of funds (provident fund) under Old Age, Disability, and Survivors.

Self-employed person

Cash sickness and maternity benefits: Not applicable.

Medical benefits (provident fund): See source of funds (provident fund) under Old Age, Disability, and Survivors.

Employer

Cash sickness and maternity benefits: The total cost.

Medical benefits (provident fund): See source of funds (provident fund) under Old Age, Disability, and Survivors.

Government

Cash sickness and maternity benefits: None.

Medical benefits (provident fund): See source of funds (provident fund) under Old Age, Disability, and Survivors. Subsidizes public health care services from general revenues.

Qualifying Conditions

Cash sickness benefits (employer liability): A registered medical practitioner or dentist must provide medical certification.

Cash maternity benefits (employer liability): Must have been employed in the last four months and have worked for the same employer for at least 90 days in the last nine months.

Medical benefits (provident fund): See qualifying conditions (health withdrawal, provident fund) under Old Age, Disability, and Survivors.

Sickness and Maternity Benefits

Sickness benefit (employer liability): 100% of the employee's earnings is paid for up to 22 days with at least five years of service; up to 18 days with two to five years; and up to 14 days with less than two years. May be paid for up to 60 days if the illness requires hospitalization, regardless of the length of service.

Maternity benefit (employer liability): The insured's wage or the rate set by the Minister of Labour, whichever is greater, is paid for at least 60 days.

Workers' Medical Benefits

Medical benefits (provident fund): Fund members may draw down a portion of their account balance to cover the cost of medical care. See cash benefits for insured workers (health withdrawal, provident fund) under Old Age, Disability, and Survivors.

The Ministry of Health provides subsidized public health care services.

Dependents' Medical Benefits

The Ministry of Health provides subsidized public health care services.

Administrative Organization

Cash maternity benefits: Ministry of Human Resources (<http://www.mohr.gov.my/>) provides general supervision.

Medical benefits: Ministry of Health (<http://www.moh.gov.my/>) provides general supervision.

Employees Provident Fund (<http://www.kwsp.gov.my/>), managed by a tripartite governing board, administers contributions and benefits and is responsible for investing members' funds.

Work Injury

Regulatory Framework

First and current law: 1969 (social security).

Type of program: Social insurance system.

Coverage

Private-sector employees and public-sector employees not covered by a separate public-sector system.

Exclusions: Household workers, spouses of business owners, self-employed persons, and foreign workers.

Special systems for certain public-sector employees, foreign workers, and military personnel.

Source of Funds

Insured person: None.

Self-employed person: Not applicable.

Employer: 1.25% of monthly payroll, according to 45 wage classes.

There are no minimum monthly earnings used to calculate contributions.

The maximum monthly earnings used to calculate contributions are 4,000 ringgits.

Government: None.

Qualifying Conditions

Work injury benefits: There is no minimum qualifying period.

Temporary disability benefit: Must be certified by a medical doctor to be unfit for work for at least four days.

Temporary Disability Benefits

80% of the insured's average daily wage in the six months before the disability began is paid during the employee's medical leave.

The minimum daily benefit is 30 ringgits.

The maximum daily benefit is 105.33 ringgits.

Permanent Disability Benefits

Permanent disability pension: For a total (100%) disability, 90% of the insured's average daily wage in the six months before the disability began is paid.

The minimum daily benefit is 30 ringgits.

The maximum daily benefit is 118.50 ringgits.

Constant-attendance allowance (total permanent disability): 500 ringgits a month is paid if the insured requires the constant attendance of others to perform daily functions.

Partial disability: A percentage of the full pension is paid according to the assessed degree of disability.

The minimum daily benefit for a permanent partial disability is 30 ringgits.

If the disability is assessed as less than 20%, the insured can request the benefit as a lump sum. If the disability is at least 20%, the insured is paid monthly, and may request up to 20% of the benefit as a lump sum.

Benefit adjustment: Benefits are adjusted according to changes in the cost of living and the social insurance system's finances.

Workers' Medical Benefits

Benefits include necessary medical treatment, hospitalization, medicine, artificial limbs and other prosthetic appliances, and physical and vocational rehabilitation.

Government hospitals and physicians under contract with the Social Security Organization provide care.

Survivor Benefits

Survivor pension: 60% of the full daily benefit is paid to the widow (the widower if previously the insured's dependent) and 40% to unmarried children (60% to full orphans) younger than age 21 (until the completion of a graduate degree, no limit if disabled).

The full daily benefit is 90% of the insured's average daily wage in the six months before death.

The spouse's pension continues upon remarriage.

Other eligible survivors: If there are no other eligible survivors, 40% of the full daily benefit is paid to parents (grandparents if the parents are deceased) and 30% to unmarried dependent siblings younger than age 21.

The minimum daily survivor benefit is 30 ringgits.

The maximum daily survivor benefit is 118.50 ringgits.

Benefit adjustment: Benefits are adjusted according to changes in the cost of living and the social insurance system's finances.

Funeral grant: Up to 1,500 ringgits is paid to the person who paid for the funeral. The benefits are paid (in order of priority) to the deceased's surviving spouse, orphans, or parents.

Benefit adjustment: Benefits are adjusted according to changes in the cost of living and the social insurance system's finances.

Administrative Organization

Ministry of Human Resources (<http://www.mohr.gov.my/>) provides general supervision.

Social Security Organization (SOCSO) (<http://www.perkeso.gov.my/>), managed by a tripartite governing board, administers contributions and benefits and contracts with health care providers for medical services.